

KENTUCKY ECONOMIC INDICATORS

October 2005 Indicators as of December 21, 2005

KY Composite Index of Leading Indicators increased 5.6 percent in October.

- The Leading Index increased for the sixth time this year.
- The Leading Index rose by 1.4 percent over the same month last year.
- Component indicators were heavily positive, 4:1.
 - + KY Labor Intensity Index increased 0.4 percent.
 - + The US Leading Index increased 11.1 percent.
 - + The KY Index of Initial UI Claims increased 31.0 percent.
 - + US Retail Sales increased 4.0 percent.
 - The Louisville Help Wanted Index decreased 2 points to 54.

Component weights for October are 52.82, 19.86, 14.84, 10.72 and 1.75 respectively.

KY Composite Index of Coincident Indicators increased 4.1 percent in October.

- The Coincident Index is positive for the second consecutive month.
- Same-month-last-year growth is positive for the twenty-seventh consecutive month at 1.4 percent.
- Component indicators leaned positive, 2:1.
 - KY Total Nonagricultural Employment decreased 0.3 percent.
 - + US Industrial Production Index increased 12.0 percent.
 - + US Personal Income Less Transfers increased 2.9 percent.

Component weights for October are 33.20, 29.80 and 25.93 respectively. Component weights do not sum to one because the two US components were discounted to allow the Kentucky component more weight.

The Kentucky Leading Index was strongly positive in October following three consecutive weak months. Four of the five component indicators were positive for October. Moreover, four of the five component indicators changed their growth signs from September to October. The most important change involved the US Leading Index. The US Leading Index went from strongly negative growth in September to strongly positive growth in October with 11.1 percent growth. But most importantly, the August value was revised up to 137.8, precisely the same as the July value. The trio of negatives between July and September has now been eliminated. The October increase in the Leading Index made up all the losses from the previous two months. The Kentucky Leading Index has now surpassed its old all-time high (119.36 recorded in July 2005) in October with 119.58.

The Kentucky Labor Intensity Index was slightly positive for October. This is the sixth consecutive month of weak or negative growth. Everything was pretty silent in our five manufacturing sectors for October. The only exception was a slight increase of 200 workers in Transportation Equipment employment.

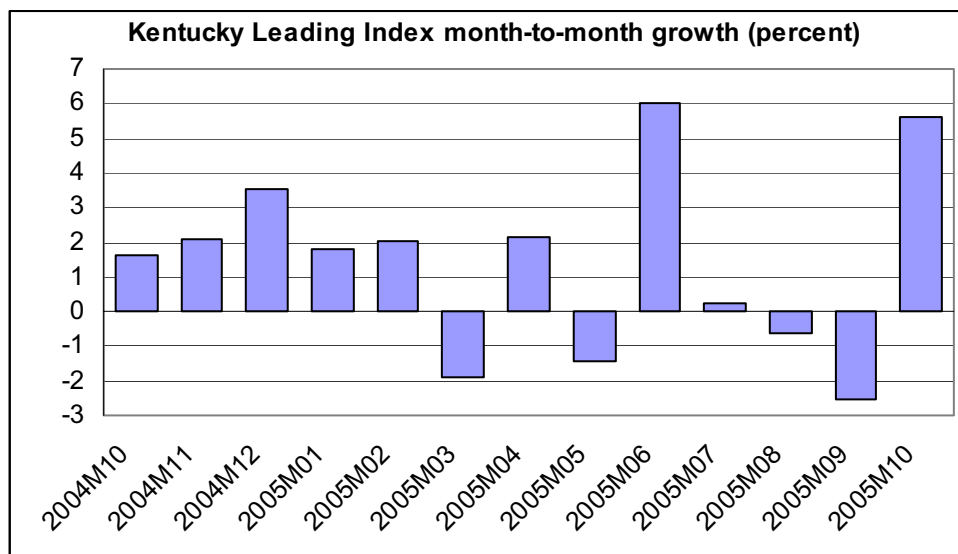
Both the US and Kentucky components of the Kentucky Index of Unemployment Insurance Claims fell in October, leading to a substantial increase in the Index value. Nearly all of the large losses from September were recovered. The Index is now only 0.4 points below its October 2004 level.

Kentucky Nonagricultural Employment declined slightly 0.3 percent, a net loss of 400 jobs. Meanwhile, in a strange juxtaposition, Kentucky Manufacturing Employment gained 300 net jobs.

The Kentucky General Fund Tax Receipts continued its strong growth with 12.3 percent for October. This is the twenty-first consecutive month of month-over-same-month-last-year growth for Tax Receipts.

This is the fourth consecutive month of strong growth in the CPI for all urban consumers. This is the sixteenth consecutive increase in the average Prime Interest Rate, controlled indirectly by the Federal Reserve Board.

Our indices are compiled and published on a monthly basis, roughly two weeks following the Conference Board release of the U.S. Leading Index. A complete description of the Index of Leading Indicators and methodology was published in the University of Kentucky Center for Business and Economic Research *Kentucky Annual Economic Report, 2000*.



About the Indicators

Kentucky Reference Series

Inflation-adjusted personal income less transfer payments and policy-adjusted general fund tax receipts are combined to form the GOEA composite reference series.

Kentucky Leading Indicators

- **GOEA Labor Intensity Index:** Composed of seasonally adjusted weekly hours multiplied by employment for the following manufacturing industries: Lumber products, chemical and allied products, rubber and plastic products, fabricated metals, and transportation equipment.
- **GOEA Initial Unemployment Insurance (UI) Claims Index:** This index has two components: Kentucky UI claims in their first month of payment and total U.S. initial claims. Additional claims for UI are the subset of initial claims filed by workers who have previously filed UI claims but are currently filing new claims with intermittent workforce attachment since their original claim. The claims in their first month of payment without intermittent qualified experience performed better in the testing process and were chosen accordingly.
- **Louisville Help-wanted Index:** The Conference Board computes an index of help-wanted advertisements for major regions across the United States; Louisville is the only city in Kentucky covered by the Conference Board.
- **U.S. Manufacturing and Trade Sales:** This series outperformed Kentucky sales tax receipts and U.S. total retail sales. Current manufacturing and trade sales help form the basis for business expectations for the immediate short run. Since production and investment do not occur instantaneously, the formation of expectations (manifested through current manufacturing and trade sales) should slightly lead the business cycle.
- **GOEA U.S. Leading Index:** We eliminated two variables, UI Claims and weekly hours, from the U.S. leading index since we already use the Kentucky equivalents. The remaining eight components of the U.S. leading index were tested, eliminating both the interest rate spread and the slower deliveries diffusion index of vendor performance. The remaining six components were then re-indexed by GOEA.

Table Notes:

- 1) Growth rates are computed with precise numbers. Due to rounding, two observations may have the same reported value but still exhibit growth at a more precise level.
- 2) More information is available on our website, www.osbd.ky.gov

Office of State Budget Director

Room 284, Capitol Annex
Phone: 502-564-7300 - taj@mail.state.ky.gov

Frankfort, Kentucky 40601-3453

**SELECTED KENTUCKY ECONOMIC INDICATORS
SEASONALLY ADJUSTED**

2004

2005

	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT
KY Leading Index (1992=100)	118.0	118.2	118.5	118.7	118.9	118.7	118.9	118.8	119.3	119.4	119.3	119.0	119.6
% Chg Previous Month SAAR	1.6	2.1	3.6	1.8	2.0	-1.9	2.1	-1.4	6.0	0.2	-0.6	-2.5	5.6
% Chg Same Month Last Year	2.2	2.0	1.9	1.9	1.8	1.0	1.3	0.9	1.4	1.6	1.3	1.1	1.4
KY Coincident Index (1992=100)	131.6	131.8	133.5	132.4	132.7	132.8	132.8	133.1	133.7	133.7	132.8	133.0	133.4
% Chg Previous Month SAAR	6.3	2.0	16.9	-9.8	2.4	1.0	0.5	2.2	5.6	0.0	-7.5	1.8	4.1
% Chg Same Month Last Year	2.5	2.2	3.3	2.3	2.2	2.3	2.0	1.9	2.5	2.3	1.4	1.6	1.4
KY Nonag Employment (000s)	1,801.0	1,800.7	1,802.7	1,802.4	1,803.6	1,807.1	1,815.1	1,816.7	1,821.2	1,817.3	1,821.1	1,822.9	1,822.5
% Chg Previous Month SAAR	1.6	-0.2	1.3	-0.2	0.8	2.4	5.4	1.1	3.0	-2.5	2.5	1.2	-0.3
% Chg Same Month Last Year	0.8	0.8	0.7	0.7	0.7	0.8	1.0	1.3	1.4	1.5	1.4	1.4	1.2
KY Mfg Employment (000s)	265.5	264.7	264.2	264.6	264.5	265.1	266.0	266.4	265.4	259.6	265.7	265.5	265.8
% Chg Previous Month SAAR	5.1	-3.6	-2.2	1.8	-0.5	2.8	4.2	1.8	-4.4	-23.3	32.1	-0.9	1.4
% Chg Same Month Last Year	0.5	0.2	-0.2	0.0	0.0	0.3	0.7	0.7	0.5	0.5	0.4	0.4	0.1
KY Unemployment Rate (%)	4.8	4.7	4.7	5.0	5.2	5.3	5.6	5.7	5.7	5.9	5.4	5.7	6.1
KY Index of Initial UI Claims	102.7	102.4	103.1	102.8	103.9	103.3	103.6	102.6	103.4	103.4	102.9	100.0	102.3
% Chg Previous Month SAAR	1.8	-3.5	8.2	-3.4	14.2	-6.8	3.2	-11.5	10.3	-0.2	-5.6	-29.0	31.0
% Chg Same Month Last Year	1.8	1.1	1.7	1.0	2.6	1.2	1.5	0.2	1.0	1.6	0.8	-2.5	-0.4
KY Labor Intensity Index (1992=100)	105.1	105.3	105.3	105.6	105.5	105.6	105.7	105.7	105.5	105.2	105.3	105.2	105.2
% Chg Previous Month SAAR	-0.3	1.6	0.4	3.9	-1.2	1.2	0.9	-0.5	-2.1	-2.9	0.3	-0.5	0.4
% Chg Same Month Last Year	0.7	0.7	0.8	1.0	0.8	0.7	0.7	0.6	0.4	0.4	0.1	0.0	0.1
Louisville HWI (1992=100)	41.0	42.0	41.0	42.0	41.0	40.0	38.0	39.0	41.0	41.0	46.0	56.0	54.0
% Chg Previous Month SAAR	34.5	33.5	-25.1	33.5	-25.1	-25.6	-46.0	36.6	82.2	0.0	297.8	959.6	-35.4
% Chg Same Month Last Year	-18.0	-14.3	-28.1	-16.0	-25.5	-28.6	-25.5	-18.8	-19.6	-8.9	-2.1	40.0	31.7
GF Total Tax Receipts (\$ mill)	563.6	587.9	709.7	659.6	500.8	568.6	808.4	525.6	738.7	573.9	555.1	778.4	632.7
% Chg Same Month Last Year	6.3	10.7	5.0	13.1	8.3	11.7	12.1	9.6	16.6	10.5	8.1	18.8	12.3
GF Sales & Use Receipts (\$ mill)	224.0	201.1	217.7	271.4	176.3	200.1	224.2	216.1	219.6	238.5	217.4	229.6	235.6
% Chg Same Month Last Year	5.0	1.0	4.7	8.8	7.5	8.2	3.1	5.1	9.9	5.5	2.7	11.1	5.2
GF Income Tax Receipts (\$ mill)	249.9	230.2	259.0	252.6	231.5	176.1	413.7	215.3	266.3	238.1	250.8	278.0	259.3
% Chg Same Month Last Year	9.5	2.8	4.6	21.9	6.6	24.0	12.8	13.6	-1.4	6.2	2.2	2.1	3.8

**SELECTED U.S. ECONOMIC INDICATORS
SEASONALLY ADJUSTED**

2004

2005

	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT
US Leading Index (1996=100)	135.2	136.0	136.9	136.8	137.1	136.2	136.3	136.5	138.0	137.8	137.8	136.7	137.9
% Chg Previous Month SAAR	0.0	7.3	8.2	-0.9	2.7	-7.6	0.9	1.8	14.0	-1.7	0.0	-9.2	11.1
% Chg Same Month Last Year	5.7	5.7	5.5	4.5	4.3	2.4	2.3	1.9	2.6	2.1	2.0	1.1	2.0
US Coincident Index (1992=100)	118.4	118.8	120.3	119.5	119.7	119.8	120.0	120.3	120.7	120.9	120.2	120.6	120.7
% Chg Previous Month SAAR	5.2	4.1	16.2	-7.7	2.0	1.0	2.0	3.0	4.1	2.0	-6.7	4.1	1.0
% Chg Same Month Last Year	2.9	2.8	3.9	3.1	3.0	2.7	2.7	2.6	2.9	2.7	2.0	2.3	1.9
US Nonag Employment (Mil.)	132.2	132.3	132.4	132.6	132.9	133.0	133.3	133.4	133.6	133.9	134.0	134.0	134.1
% Chg Previous Month SAAR	2.6	1.2	1.4	1.1	2.7	1.1	2.7	1.1	1.6	2.5	1.3	0.2	0.4
% Chg Same Month Last Year	1.6	1.6	1.7	1.7	1.8	1.7	1.7	1.6	1.6	1.8	1.7	1.6	1.4
US Unemployment Rate (%)	5.5	5.4	5.4	5.2	5.4	5.2	5.2	5.1	5.0	5.0	4.9	5.1	5.0
US Initial Claims for UI (000s)	338.6	334.1	330.0	330.1	307.4	337.8	321.9	334.7	320.7	316.7	317.0	404.7	350.5
% Chg Previous Month SAAR	-19.8	-14.8	-13.8	0.4	-57.5	210.1	-43.9	59.7	-40.1	-14.0	1.1	1,774.5	-82.2
% Chg Same Month Last Year	-11.0	-8.9	-8.7	-7.0	-13.7	-1.9	-6.8	-2.6	-5.6	-7.5	-6.9	17.3	3.5
US Industrial Production Index	105.8	106.0	106.7	106.9	107.4	107.3	107.2	107.4	108.3	108.3	108.5	106.9	107.9
% Chg Previous Month SAAR	9.0	2.4	8.3	2.3	4.7	-0.5	-1.4	2.8	10.0	-0.2	2.2	-16.4	12.0
% Chg Same Month Last Year	4.7	3.9	4.4	4.2	3.7	4.0	3.1	2.4	3.7	3.1	3.0	1.7	1.9
US Personal Income Less Trans. (Bil. 92\$)	7,713.9	7,745.8	8,071.9	7,794.2	7,811.7	7,820.2	7,798.6	7,822.9	7,862.9	7,885.9	7,653.4	7,821.7	7,840.5
% Chg Previous Month SAAR	12.4	5.1	64.0	-34.3	2.7	1.3	-3.3	3.8	6.3	3.6	-30.2	29.8	2.9
% Chg Same Month Last Year	3.3	2.9	7.2	3.4	3.4	3.5	2.9	3.1	3.7	3.3	0.1	2.4	1.6
CPI, All Urban (1982-84=100)	190.7	191.2	191.2	191.3	192.0	193.2	194.2	194.1	194.1	195.1	196.1	198.5	198.9
% Chg Previous Month SAAR	7.2	3.2	0.0	0.6	4.5	7.8	6.4	-0.6	0.0	6.4	6.3	15.7	2.4
% Chg Same Month Last Year	3.2	3.6	3.4	2.9	2.9	3.2	3.5	2.8	2.5	3.1	3.6	4.7	4.3
US Retail Sales (Bil. 84\$)	332.9	333.0	336.6	336.8	339.0	340.1	346.1	344.9	351.3	357.3	350.7	351.8	353.0
% Chg Previous Month SAAR	11.6	0.4	13.7	0.7	8.1	3.9	23.4	-3.9	24.6	22.4	-19.9	3.7	4.0
% Chg Same Month Last Year	8.8	7.5	8.9	8.0	8.0	6.0	9.1	6.3	9.8	10.3	8.2	6.6	6.0
Manufacturing & Trade Sales (000s)	922.9	924.6	936.9	940.2	933.1	932.9	937.8	944.3	948.4	950.4	951.8	943.7	*945.6
% Chg Previous Month SAAR	2.4	2.2	17.1	4.3	-8.8	-0.3	6.5	8.6	5.3	2.6	1.8	-9.7	2.4
% Chg Same Month Last Year	5.2	4.8	5.6	6.1	4.9	2.1	3.5	3.8	4.2	3.8	3.4	2.5	2.5
US Consumer Expectations (1966=100)	83.8	85.2	90.9	85.7	84.4	82.8	77.0	75.3	85.0	85.5	76.9	63.3	63.2
% Chg Previous Month AR	-44.4	22.0	117.5	-50.7	-16.8	-20.5	-58.2	-23.5	328.0	7.3	-72.0	-90.3	-1.9
% Chg Same Month Last Year	1.0	-3.3	1.2	-14.4	-4.6	-6.8	-11.8	-7.7	-4.0	-6.3	-12.8	-28.1	-24.6
Ave. Prime Interest Rate (%; NSA)	4.75	4.93	5.14	5.25	5.49	5.58	5.75	5.98	6.01	6.25	6.44	6.59	6.75

* ARIMA estimation